

**UNITED  
CORPORATIONS  
LIMITED**



**ANNUAL  
REPORT  
1971**

## **UNITED CORPORATIONS LIMITED**

*— Incorporated under the Laws of Canada*

### **Directors**

IAN A. BARCLAY  
THOMAS N. BEAUPRÉ  
G. DRUMMOND BIRKS  
JAMES V. EMORY  
CHARLES L. GUNDY  
KENNETH S. HOWARD, Q.C.  
ARTHUR F. MAYNE  
IAN S. STEERS  
ALAN E. TARR

### **Officers**

J. V. EMORY  
President  
C. L. GUNDY  
Vice-President  
R. B. WRIGHT  
Assistant to the President  
MISS I. WATERHOUSE  
Secretary  
R. A. M. SMITH, C.A.  
Treasurer  
MISS E. CLAYTON  
Asst.-Secretary and Asst.-Treasurer

### **Head Office**

800 Dorchester Blvd. West  
Montreal 101, Que.

### **Shares Listed**

Class "A", 1959 Series Preferred and Class "B" shares are listed on the London, England, Montreal and Toronto Stock Exchanges. 1963 Series Preferred shares are listed on the Montreal and Toronto Stock Exchanges.

### **Auditors**

Price Waterhouse & Co.

### **Transfer Agent**

Montreal Trust Company.  
Shares transferable at Montreal, Toronto, Halifax, Winnipeg, Regina, Calgary and Vancouver.

### **Registrar**

The Royal Trust Company.



## To the Shareholders

Your Directors take pleasure in presenting the 39th Annual Report of your Company for the year ended December 31, 1971.

### Balance Sheet (see page 7)

Market conditions continued unsettled during 1971, but the underlying trend was one of further recovery from the sizeable decline of 1969-1970 and towards the end of the year a strong uptrend commenced which has continued into the opening weeks of 1972.

This underlying recovery trend was reflected in the aggregate market value of your Company's assets which, after payment during the year of special dividends totalling \$1,476,667 in addition to regular dividends of \$2,065,974, increased to \$73,779,093 from the corresponding figure of \$71,274,634 at the end of the previous year. After provision for current liabilities and allowing for the respective redemption prices of the outstanding Class "A" and First Preferred Shares, the net equity value behind each of the three classes of shares was:—

Class "A" Shares — \$73,401,432 or \$1,405.16 per share

First Preferred Shares —

\$ 71,834,322 or \$359.17 per share

Class "B" Shares — \$65,654,757 or \$18.67 per share

The figure of \$18.67 per Class "B" Share was up from \$18.05 at the end of the previous year and was, of course, after provision during the year for the special dividends amounting to 42¢ per share referred to above. As of February 29, 1972, there had been a further sizeable increase in the net equity value per Class "B" Share to \$20.83.

### Statement of Income (see page 8)

Income from dividends and interest totalled \$2,352,665, down from \$2,736,177 in 1970. Operating expenses were reduced to \$272,948 from \$303,083. In keeping with the principle of equity accounting commented upon later in this report, the net income of United Bond & Share Limited, amounting to \$21,400, is included in 1971 income and the 1970 statement of income has been restated accordingly. Net after tax income from all sources fell to \$2,029,899 from the restated figure of \$2,362,174 for 1970.

The decline in net income was forecast in last year's Annual Report and, as was anticipated at that time, resulted from two unusual factors which applied to our 1970 operations. The first was a change in accounting procedure in dealing with dividend income from a cash to an accrual basis which had the effect of producing a non-recurring increase in dividend income for that year of \$244,106 (equal to 6.9¢ per Class "B" Share). The second was the fact that the unfavourable

market conditions which prevailed during the first half of 1970 resulted in our carrying a larger than normal percentage of our portfolio in high-yielding reserves. This combination of unusual circumstances did not apply in 1971. In addition, it should be remembered that we have paid out nearly \$5,000,000 in the form of special dividends since January 1968, the income on which has been lost to us.

### Statement of Surplus (see page 8)

After provision for dividends on the Class "A" and First Preferred Shares, net income available for the Class "B" Shares declined to \$1,651,544, down from a restated \$1,983,819 in 1970. On the basis of the 3,515,873 Class "B" Shares outstanding at the end of both years net income per share in 1971 amounted to 47¢ as compared to 56¢ as restated for 1970.

Cash dividends declared and paid on the Class "B" Shares during 1971 totalled \$1,757,937, down from \$1,863,413 the previous year. This exceeded the net income available for their payment by \$106,393 which, when deducted from the restated accumulated net income of \$576,814 at the beginning of the year, left a year-end figure for accumulated net income of \$470,421.

Sales of investments during the year resulted in a net loss of \$394,428 as compared to a net loss



## *To the Shareholders cont'd*

of \$2,108,632 in the prior year. Deduction of this figure from the balance of accumulated net realized gains on investments at the beginning of the year of \$50,944,-173 produced a balance at the end of the year of \$50,549,745, and the further deduction of \$1,406,349 paid in the form of stock dividends during the year left a balance of \$49,143,396 in accumulated net realized gains on investments at the end of 1971.

Combining the year-end figures for accumulated net income and accumulated net realized gains on investment produced an overall surplus of \$49,613,817 at the end of 1971, down from \$51,520,987 at the end of the previous year. However, unrealized appreciation in market value of investments increased from \$7,304,669 to \$11,-393,557 during the year so that the combined figure for surplus and unrealized appreciation in the market value of investments as shown on the balance sheet increased from \$58,825,656 to \$61,-007,374.

### **Dividends**

Class "A" dividends totalling \$78,-355 were declared and paid during 1971. Dividends declared and paid on the two outstanding series of First Preferred Shares amounted to \$300,000.

Dividends per Class "B" Share declared and paid during the year consisted of a special dividend of 2¢ in cash and 15¢ in stock declared in January applicable to

1970 operations, regular quarterly cash dividends totalling 48¢ and a further special stock dividend of 25¢ declared in October applicable to 1971 operations. As was explained at the time, the October stock dividend would normally have been declared in January, 1972, but the payment date was advanced to take advantage of more favourable tax legislation applicable in 1971. Class "B" dividends declared and paid during the year therefore totalled 90¢ per share of which 73¢ was applicable to 1971 operations, providing an approximate 4% yield on the average net equity value per share for the year of \$18.38 in line with the dividend policy first instituted in January, 1968.

All stock dividends declared and paid during the year took the form of 3% Non-Cumulative Redeemable Second Preferred Shares of the par value of 5¢ per share which were immediately redeemed. We are advised that, as has been the case in preceding years, the proceeds of the redemption of these shares constituted a payment of capital to shareholders and, as such, were not subject to Canadian federal or provincial income taxes.

### **Portfolio and Investment Policy**

The detailed portfolio of investments held by your Company at the end of 1971 is set out on pages 11 to 13 of this report and the distribution of investments, together with summary balance sheets for the last five years showing changes in portfolio weighting will be found on page 14. The heavy commitment to equities at the end of the year reflected our assessment of the stock market outlook at that time and has permitted us to participate in the strong rise which has taken place in the early weeks of 1972.

### **Record of Asset Valuations and Income**

The customary record of your Company's progress during the thirty-nine years of its existence will be found on pages 16 and 17 of this report.

For some years now it has been pointed out that the investment results achieved since December 31, 1961, are of particular significance in that it was only in 1962 that the investment policy of United was changed from that of maintaining a "balanced" portfolio to a basically common stock orientation.

December 31, 1971, marked the completion of ten years of this policy and in view of the fact that ten years is generally accepted as a reasonable length of time for



the fair measurement of investment results, we have prepared a graphical comparison of our results for the ten-year period vis-a-vis the Toronto Stock Exchange Index. This graphical comparison will be found on page 15.

A few observations are pertinent:—

- 1) The graph represents an attempt to illustrate the total return on Class "B" equity over the ten-year period on the assumption that all dividend payments were reinvested at the net equity value at the end of the quarter in which they were paid. The same assumption was made for the Toronto Index.
- 2) The ten-year period involved is an unusual one in many respects. December, 1961, marked the high of the market prior to the major decline which took place in 1962 while at the end of 1971 the market was still recovering from the worst bear market in the post-war years and, by many measurements, the worst since 1929.
- 3) It should be noted that the results for United are based on the equity and net income available for the Class "B" Shares and are, therefore, after provision for all prior charges such as operating expenses, taxes and Class "A" and Preferred dividend requirements.
- 4) The percentages shown in the graph can be applied in a number of ways. For example, the net equity available for the Class "B" Shares at the end of 1961 of \$40,375,693 would have grown to \$85,451,117 by the end of 1971 whereas the same amount of money invested in the Toronto Index at the end of 1961 would have reached

\$71,222,722. The difference of \$14,228,395, equal to 35.2% on the original investment, is the total dollar amount by which United Class "B" shareholders as a group were able to outperform the "market" as exemplified by the Toronto Index over the ten-year period. In the same way the net equity per Class "B" Share which was \$11.77 at the end of 1961 would have grown to \$24.91 by the end of 1971 as compared to \$20.76 in the case of the Toronto Index. It is worth noting that the actual experience of the Class "B" shareholder would have been even better in that, in addition to benefiting from the increase in net equity per share outlined above, he would also have benefited from the closing of the discount between net equity value and market value from approximately 27% at the end of 1961 to approximately 18% at the end of 1971.

- 5) Comparisons between funds are always difficult because of varying investment objectives and policies, but the ten-year record would place United amongst the top performing Canadian funds for the period.

#### **Subsidiary and Associated Companies**

Mention was made in last year's Annual Report of the decision of your Directors to increase the

capital of our wholly owned subsidiary United Bond & Share Limited and to transfer to it the shares of The Interior Trust Company and International Capital Corporation Ltd., our associated companies both of which were jointly owned with The Royal Bank of Canada. This change is reflected in the financial statements and is more fully explained in Note 1 thereto. It should be noted that the investment in United Bond & Share Limited is carried in the balance sheet at cost plus the equity in undistributed income whereas portfolio investments are carried at market value. In the opinion of your Directors the actual value of the assets of United Bond & Share Limited would substantially exceed their cost.

With respect to their 1971 operations, all three of the companies referred to above continued to make progress. Despite the unsettled market conditions, RoyFund Ltd., the mutual fund associated with The Royal Bank of Canada and managed by United Bond & Share Limited, ended the year with both total net assets and number of shares outstanding at new month-end highs. We are looking for RoyFund to show further substantial growth in 1972. RoyMor Ltd., the voting shares of which are 50% owned by Interior Trust, continued its record of rapid expansion. The promising outlook for International Capital Corporation Ltd. was further enhanced in February, 1972, by the addition of IAC Limited as a shareholder. The three shareholders of that company are now The Royal Bank of Canada, IAC Limited and United Bond & Share Limited.



## Amendments to the Federal Income Tax Act

The amendments to the Federal Income Tax Act incorporated in Bill C-259 became effective on January 1, 1972. Further amendments together with the attendant regulations will probably be announced in the near future. In addition, individual Canadian provinces will probably amend their relevant tax legislation to complement the Federal system. Working with our tax advisors, we have studied the progress of the legislation since last June and are confident that we now have a reasonably clear understanding of its impact on United. However, so complex and far-reaching is the legislation that a brief discussion may be over-simplified and misleading. For this reason shareholders are urged to take whatever steps they may consider necessary to obtain expert advice concerning their individual tax positions under the Act.

Any discussion of the effects of the Act on our future operations requires a clear understanding of the necessity for United to qualify as an "investment corporation" as defined by Section 130(3)(a), the relevant portion of which is set out on this page. The requirements for such a qualification are very similar to those applicable to an "investment company" under former Section 69(2) with which we have complied for many years and therefore no particular change in policy will be required. However, the importance of so qualifying is greatly increased for the reasons given below.

Classification as an "investment corporation" will mean, as it has in the past, that the company will be subject to a substantial reduction in the rate of tax on its taxable revenue. Of far greater significance, however, is the much more favourable treatment afforded to shareholders of an "investment corporation" with respect to capital gains realized by the corporation than is the case with shareholders of an ordinary public corporation.

An "investment corporation" is subject to tax at a rate equivalent to half the standard corporate rate on its net realized capital gains but this tax is recovered by the corporation when those net realized capital gains are distributed to shareholders in the form of a "capital gains" dividend. An "investment corporation" is therefore able, through the declaration of "capital gains" dividends, to distribute 100% of its net realized capital gains to its shareholders who are only required to include one half of the amount so received in income. By contrast, an ordinary public corporation also pays tax on half its net realized capital gains but this tax is not recoverable by the corporation with the result that the remaining 75% is classed as income and can only be distributed to its shareholders as ordinary taxable dividends.

In general terms, then, as long as we continue to qualify as an "investment corporation" our shareholders will, for practical purposes, be placed in a position (at least with respect to federal taxes) as though they held their proportion of our underlying assets directly. Aside from the tax implications, this conduit principle provides a less obvious advantage of great importance to the shareholders of a closed-end "investment corporation" such as United.

## "Section 130

(3) *For the purposes of this section, (a) a corporation is an investment corporation throughout any taxation year in respect of which the expression is being applied if it complied with the following conditions:*

*(i) it was throughout the year a Canadian corporation that was a public corporation,*

*(ii) at least 80% of its property throughout the year consisted of shares, bonds, marketable securities or cash,*

*(iii) not less than 95% of its income for the year was derived from, or from dispositions of, investments described in subparagraph (ii),*

*(iv) not less than 85% of its gross revenue for the year was from sources in Canada,*

*(v) not more than 25% of its gross revenue for the year was from interest,*

*(vi) at no time in the year did more than 10% of its property consist of shares, bonds or securities of any one corporation or debtor other than Her Majesty in right of Canada or of a province or a Canadian municipality,*

*(vii) none of its shareholders at any time in the year held more than 25% of the issued shares of the capital stock of the corporation, and*

*(viii) an amount not less than 85% of the aggregate of*

*(A) 75% of the amount, if any, by which its taxable income for the year exceeds its taxed capital gains for the year, and*

*(B) any taxable dividends received by it in the year to the extent of the amount thereof deductible under section 112 or 113 from its income for the year,*

*(less any dividends or interest received by it in the form of shares, bonds or other securities that had not been sold before the end of the year) was distributed to its shareholders before the end of the year."*



This can best be shown by a factual example. As of February 29, 1972, our Class "B" Shares were trading at about \$16 and their net asset value was \$20.83. In addition, however, our capitalization includes Class "A" and Preferred Shares which together amount to about \$2.20 per Class "B" Share so that each Class "B" Share had about \$23.03 of assets working for it for capital appreciation purposes. With the introduction of the "capital gains" dividend we will be in a position to distribute any net realized capital gains we can achieve on this asset base of \$23.03 to the Class "B" shareholders. When it is appreciated that, as of the end of February, 1972, \$23.03 of working assets could be purchased for \$16, a discount of 30.4%, the substantial possibilities for a leveraged return on investment become apparent. While we, of course, can make no promises about future investment performance, it would appear that the present legislation makes the shares of a closed-end "investment corporation" selling at a discount from their net asset value exceedingly attractive as an investment medium.

Against this general background, a few more specific comments might be useful:—

1) While it is obviously the intention of your Directors that United will qualify as an "investment corporation" as defined by Section 130(3)(a) of the Act, shareholders should be aware of the fact that there is one requirement in that Section which is beyond our control, namely that set out in subsection (vii) which specifies that at no time in the year can one shareholder own more than 25% of the issued shares of the corporation. In view of the importance of maintaining our

status as an "investment corporation", we are keeping a close watch on our register of shareholders and are satisfied that, as of the middle of February, no shareholder held as much as 10% of our issued shares.

- 2) We will continue to distribute substantially all of our net revenue after taxes in the form of quarterly cash dividends which will qualify for the new dividend tax credit. In addition, as has already been suggested, we will distribute net realized capital gains in the form of a "capital gains" dividend and Canadian shareholders will be required to include one-half of this dividend in income for tax purposes. It is presently anticipated that we will be declaring a dividend of this type late in 1972 with respect to net realized gains which have accrued after January 1, 1972. Meanwhile a final decision with respect to the method of distribution is being delayed pending publication of the regulations pertaining to the Act.
- 3) For reasons already given your Directors propose to discontinue the practice of declaring regular annual dividends in the form of redeemable preferred shares. They will, however, give continuing consideration to the periodic declaration of special dividends out of 1971 capital surplus.
- 4) It will already have been noted that Section 130(3)(a) of the Act places restrictions on our freedom of investment. Your Directors have given considerable thought as to whether we should further restrict our permissible limit of foreign investment to the point where our shares would not be classed as "foreign property" in the portfolios of pen-

sion plans, registered retirement savings plans and deferred profit sharing plans as contemplated in Section 206 of the Act. In view of the fact that this section has already been the subject of a special press release and an amendment during passage of the Act, your Directors have felt it wise to postpone a final policy decision with respect to it until the regulations have been published. Pending this final decision it is our intention to so conduct our operations as not to be classed as "foreign property".

#### **Directors and Officers**

Your Directors report with regret the resignation in January, 1972, of J. S. Spalding as General Manager and a Director of your Company. In addition, after seven years of valued service, A. F. Mayne, until 1969 Executive Vice-President of The Royal Bank of Canada and since then a private financial and business consultant, has decided not to stand for re-election at the Annual General Meeting. Mr. Mayne made an outstanding contribution during his term on the Board and we are looking forward to a continuing close though less formal association in the future. As an initial step towards filling the vacancies so created we are pleased that J. K. Finlayson, Vice-President and Chief General Manager of The Royal Bank of Canada, has consented to have his name placed in nomination.

On behalf of the Directors,

**J. V. EMORY,**  
President.

March 17, 1972.



## **AUDITORS' REPORT**

### **To the Shareholders of United Corporations Limited:**

We have examined the financial statements of United Corporations Limited for the year ended December 31, 1971 which appear on pages 7 to 13 inclusive. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We verified the corporation's investments and cash on deposit at December 31, 1971 either by direct confirmations received from the custodians or by physical count.

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1971, the results of its operations and the supplementary information on changes in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the adoption of the equity method of accounting as described in Note 1 to the financial statements.

Price Waterhouse & Co.

Chartered Accountants

February 10, 1972



# UNITED CORPORATIONS LIMITED

## Balance Sheet

### Net Assets

	December 31	
	1971	1970
<b>Assets:</b>		
Portfolio investments, at market value (average cost 1971 — \$59,609,467; 1970 — \$63,212,837) . . . . .	\$71,003,024	\$70,517,800
Investment in and advances to subsidiary (Note 1) —		
Investment at cost . . . . .	250,000	60,000
Equity in undistributed income . . . . .	38,864	17,464
	288,864	77,464
Advances . . . . .	1,750,000	50,000
	2,038,864	127,464
Cash and other assets —		
Cash . . . . .	436,766	312,446
Accrued income on investments . . . . .	291,252	305,869
Other . . . . .	9,187	11,055
	737,205	629,370
<b>TOTAL ASSETS</b> . . . . .	<b>73,779,093</b>	<b>71,274,634</b>
<b>Liabilities:</b>		
Due to brokers on delivery of securities . . . . .	363,895	42,099
Income taxes . . . . .	(2,251)	3,216
Other accounts payable . . . . .	16,017	9,605
	377,661	54,920
<b>NET ASSETS</b> at market value . . . . .	<b>\$73,401,432</b>	<b>\$71,219,714</b>

### Shareholders' Equity

Capital stock (Notes 2 and 3):					
Authorized —					
52,237 Class "A" shares					
200,000 First preferred shares					
66,196,667 Second preferred shares					
(after redemption of 28,126,984 shares in 1971 — Note 5)					
6,000,000 Class "B" shares					
Issued —					
Class "A"	First preferred	Class "B"			
52,237	—	2,877,480	for a consideration of . . . . .	\$ 119,384	\$ 119,384
—	200,000	—	" " " " . . . . .	6,000,000	6,000,000
—	—	638,393	" " " " . . . . .	6,274,674	6,274,674
52,237	200,000	3,515,873		12,394,058	12,394,058
Surplus (statement attached) . . . . .				49,613,817	51,520,987
Unrealized appreciation in market value of investments . . . . .				11,393,557	7,304,669
				61,007,374	58,825,656
				<b>\$73,401,432</b>	<b>\$71,219,714</b>

SIGNED ON BEHALF OF THE BOARD:

J. V. EMORY, Director

G. D. BIRKS, Director



# UNITED CORPORATIONS LIMITED

## Statement of Income

Year ended December 31

	<u>1971</u>	<u>1970</u>
INCOME:		
Dividends and interest . . . . .	\$2,352,665	\$2,736,177
EXPENSES:		
Management fee (Note 1) . . . . .	188,194	233,935
Directors' remuneration (Note 4) . . . . .	15,000	15,200
Fees and expenses of trustee, registrar and transfer agents . . . . .	42,865	35,534
Taxes other than income taxes . . . . .	1,550	4,433
Legal and audit fees . . . . .	7,388	6,293
Office and miscellaneous expenses . . . . .	17,951	7,688
	<u>272,948</u>	<u>303,083</u>
Income before income taxes . . . . .	2,079,717	2,433,094
INCOME TAXES:		
U.S. withholding taxes . . . . .	43,218	27,561
Provision for Canadian taxes . . . . .	28,000	46,000
	<u>71,218</u>	<u>73,561</u>
	2,008,499	2,359,533
Equity in net income of subsidiary (Note 1) . . . . .	21,400	2,641
Net income . . . . .	<u>\$2,029,899</u>	<u>\$2,362,174</u>
Net income per Class "B" share after Class "A" and preferred dividends (Note 6)	\$0.47	\$0.56

## Statement of Surplus

Year ended December 31

	<u>1971</u>	<u>1970</u>
ACCUMULATED NET INCOME:		
Balance, beginning of year —		
As previously reported . . . . .	\$ 559,350	\$ 441,585
Adjustment arising from adoption of equity accounting (Note 1) . . . . .	17,464	14,823
As restated . . . . .	576,814	456,408
Net income (statement attached) . . . . .	2,029,899	2,362,174
	<u>2,606,713</u>	<u>2,818,582</u>
Less: Dividends (Note 5) —		
Class "A" shares . . . . .	78,355	78,355
First preferred shares . . . . .	300,000	300,000
Class "B" shares . . . . .	1,757,937	1,863,413
	<u>2,136,292</u>	<u>2,241,768</u>
Balance, end of year . . . . .	470,421	576,814
ACCUMULATED NET REALIZED INVESTMENT GAINS:		
Balance, beginning of year . . . . .	50,944,173	54,283,360
Deduct: Net loss on sale of investments . . . . .	394,428	2,108,632
	<u>50,549,745</u>	<u>52,174,728</u>
Deduct: Stock dividend (Note 5) —		
28,126,984 second preferred shares of 5 cents par value (24,611,111 shares in 1970) — redeemed during year . . . . .	1,406,349	1,230,555
Balance, end of year . . . . .	<u>49,143,396</u>	<u>50,944,173</u>
Total surplus . . . . .	<u>\$49,613,817</u>	<u>\$51,520,987</u>



# UNITED CORPORATIONS LIMITED

## Statement of Unrealized Appreciation of Investments

	Year ended December 31	
	<u>1971</u>	<u>1970</u>
Balance, beginning of year . . . . .	\$ 7,304,669	\$11,649,889
Increase (decrease) during year . . . . .	<u>4,088,888</u>	<u>(4,345,220)</u>
Balance, end of year . . . . .	<u>\$11,393,557</u>	<u>\$ 7,304,669</u>

## Statement of Changes in Net Assets

	Year ended December 31	
	<u>1971</u>	<u>1970</u>
Net assets, beginning of year		
As previously reported . . . . .	\$71,202,250	\$78,768,892
Adjustment arising from adoption of equity accounting (Note 1) . . . . .	<u>17,464</u>	<u>14,823</u>
As restated . . . . .	71,219,714	78,783,715
Net income . . . . .	2,029,899	2,362,174
Net realized loss on sale of investments* . . . . .	<u>(394,428)</u>	<u>(2,108,632)</u>
Increase (decrease) in unrealized appreciation of investments . . . . .	4,088,888	(4,345,220)
Dividends:		
Cash . . . . .	(2,136,292)	(2,241,768)
Second preferred shares — redeemed (Note 5) . . . . .	<u>(1,406,349)</u>	<u>(1,230,555)</u>
Net assets end of year . . . . .	73,401,432	71,219,714
Deduct: Redemption value of Class “A” and first preferred shares . . . . .	<u>7,746,675</u>	<u>7,746,675</u>
Net assets, applicable to Class “B” shares . . . . .	<u>\$65,654,757</u>	<u>\$63,473,039</u>
Number of shares outstanding at year end . . . . .	<u>3,515,873</u>	<u>3,515,873</u>
Net asset value per Class “B” share . . . . .	<u>\$ 18.67</u>	<u>\$18.05</u>
*Aggregate proceeds from sale of investments . . . . .	\$32,724,671	\$17,331,244
Deduct: Cost of investments sold —		
Aggregate cost of investments owned at beginning of year (Note 1) . . . . .	63,273,131	64,577,991
Aggregate cost of purchases of investments . . . . .	<u>29,455,435</u>	<u>18,135,016</u>
Aggregate cost of investments owned at end of year . . . . .	92,728,566	82,713,007
Aggregate cost of investments owned at end of year . . . . .	<u>59,609,467</u>	<u>63,273,131</u>
Net realized loss on sale of investments . . . . .	<u>33,119,099</u>	<u>19,439,876</u>
Net realized loss on sale of investments . . . . .	<u>\$ (394,428)</u>	<u>\$ (2,108,632)</u>



# UNITED CORPORATIONS LIMITED

## Notes to Financial Statements

December 31, 1971

1. In 1971 the Company acquired an additional 10,000 shares of the no par value capital stock of its wholly-owned subsidiary, United Bond & Share Limited for an amount of \$190,000 and increased its advances to that company from \$50,000 to \$1,750,000. The funds obtained by United Bond & Share Limited were used to finance the purchase of the Company's non-portfolio investments in Interior Trust Company and International Capital Corporation and to provide sufficient working capital for the proposed expansion of its operations. The non-portfolio investments were sold to the subsidiary at cost, \$881,060 (deemed to be approximate market value at the date of sale). In previous years these investments together with that of United Bond & Share Limited (\$60,000) were included as portfolio investments in the Company's financial statements.

The wholly-owned subsidiary now holds these non-portfolio investments and provides general management and investment advisory services. In view of the distinct nature of its operations its accounts have not been consolidated with the accounts of the Company, but the investment is stated at cost, plus the equity of United Corporations Limited in undistributed net income since inception.

Retroactive effect has been given to the adoption of the equity method of accounting in the accompanying financial statements.

2. Class "A" shares, without nominal or par value, are preferred as to cumulative dividends of \$1.50 per share per annum, and as to assets on winding up to the extent of \$30 per share plus accrued and unpaid dividends.

The 5% cumulative redeemable first preferred shares of the par value of \$30 per share, are preferred over the 3% non-cumulative redeemable second preferred shares and the Class "B" shares as to cumulative dividends and as to repayment of capital, accrued dividends and specified premiums on winding up, but are subject and subordinate to the Class "A" shares of the corporation. The first series of these preferred shares consists of 80,290 5% cumulative redeemable first preferred shares, 1959 series, redeemable (on not less than 30 days' notice) and repayable on winding up at par plus accrued dividends. The second series consists of 119,710 5% cumulative redeemable first preferred shares, 1963 series, redeemable (on not less than 30 days' notice) and repayable on winding up at \$31.50 plus accrued dividends.

The 3% non-cumulative redeemable second preferred shares of the par value of 5 cents per share are subject and subordinate to the Class "A" and the first preferred shares as to payment of dividends and repayment of capital.

The Class "B" shares are without nominal or par value.

3. In accordance with the provisions of the employees stock option plan as amended January 14, 1972, options to purchase 53,000 Class "B" shares are outstanding and 65,520 Class "B" shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.57 per share.
4. Total remuneration paid to directors and officers was as follows:

	No.	1971 Amount	No.	1970 Amount
Directors . . . . .	8	\$ 15,000	9	\$ 15,200
Officers . . . . .	6	177,885	7	169,366
Officers who are also directors . . . . .	2	—	3	—

Officers are remunerated by United Bond & Share Limited, and the management fee charged to the company reflects a proportionate amount of such remuneration.

5. In 1971 the Company paid cash dividends totalling 50 cents per Class "B" share and two stock dividends equivalent to 40 cents per share in the form of 8 of its second preferred shares of the par value of 5 cents per share. Payment of the combined cash and stock dividends amounted to 90 cents per Class "B" share (88 cents in 1970).

The second stock dividend, equivalent to 25 cents per share, which would normally have been paid in 1972 was declared and paid in 1971 because of recent changes in income tax laws which could possibly affect the tax-exempt status of stock dividends.

The second preferred shares which were issued in 1971 as stock dividends were redeemed at par (\$1,406,349) during the year. The Company has been advised that under income tax laws in effect in 1971 and prior years, the proceeds of redemption of the second preferred shares declared as stock dividends will constitute a payment of capital and as such will be exempt from Canadian federal and provincial income taxes.

6. Net income per Class "B" share was 47 cents for 1971 as compared with 56 cents for the preceding year. The adjustment from a cash to an accrual basis in accounting for income from dividends in 1970 had the effect of increasing net income per share as shown for that year by 6.9 cents per share.



# UNITED CORPORATIONS LIMITED

## Statement of Investments as at December 31, 1971

No. of Shares or Par value						Market Value	
<b>Canadian Government Bonds</b>							
\$1,000,000	Canada	.	.	.	7¼ %	1975	\$ 1,082,500
1,300,000	Canada	.	.	.	7%	1977	1,381,250
							<u>\$ 2,463,750</u>
							3.45%
<b>Corporate Bonds</b>							
\$ 100,000	Alberta Gas Trunk Line Company Limited	.	.	.	8%	1991	\$ 100,250
500,000	Distillers Corporation-Seagrams Limited	.	.	.	7½ %	1991	487,500
300,000	Niagara Realty of Canada Limited	.	.	.	7⅞ %	1986	303,000
500,000	The Royal Bank of Canada	.	.	.	7%	1991	502,500
500,000	Westcoast Transmission Company Limited	.	.	.	8%	1991	485,000
							<u>\$ 1,878,250</u>
							2.63%
<b>Preferred Stocks — Excluding Convertibles</b>							
1,000	Anglo-Canadian Telephone Company	.	.	.	\$2.90		\$ 38,500
1,875	Gaz Metropolitan Incorporated	.	.	.	5.50%		124,687
2,500	Gaz Metropolitan Incorporated	.	.	.	5.40%		165,000
4,000	Third Canadian General Investment Trust Limited	.	.	.	\$2.50		132,000
1,950	Trans-Canada Pipe Lines Limited	.	.	.	\$2.80		82,875
2,000	Westfair Foods Limited	.	.	.	"A"		50,250
							<u>\$ 593,312</u>
							.83%
<b>Banks</b>							
100,000	Bank of Montreal	.	.	.			\$ 1,825,000
80,000	Canadian Imperial Bank of Commerce	.	.	.			1,940,000
95,000	The Royal Bank of Canada	.	.	.			2,683,750
40,000	Toronto-Dominion Bank	.	.	.			1,165,000
							<u>\$ 7,613,750</u>
							10.67%
<b>Beverages</b>							
60,000	Distillers Corporation-Seagrams Limited	.	.	.			\$ 1,792,500
41,500	Molson Industries Limited	.	.	.		"A"	804,062
							<u>\$ 2,596,562</u>
							3.64%
<b>Chemical</b>							
100,000	Celanese Canada Limited	.	.	.			<u>\$ 485,000</u>
							.68%
<b>Communications</b>							
13,500	Toronto Star Limited	.	.	.		"B"	<u>\$ 516,375</u>
							.72%
<b>Construction &amp; Material</b>							
40,000	Canada Cement Lafarge Limited	.	.	.			<u>\$ 1,820,000</u>
							2.55%
<b>Food Processing</b>							
40,000	Burns Foods Limited	.	.	.			<u>\$ 520,000</u>
							.73%



## Statement of Investments as at December 31, 1971

No. of Shares or Par Value		Market Value	
<b>Industrial Mines</b>			
60,000	Alcan Aluminium Limited . . . . .	\$ 1,095,000	
40,000	International Nickel Co. of Canada Limited . . . . .	1,280,000	
74,000	Noranda Mines Limited . . . . .	2,442,000	
		<u>\$ 4,817,000</u>	6.75%
<b>Merchandising</b>			
52,000	D'Allaird Manufacturing Company Limited . . . . .	\$ 403,000	
40,000	Simpsons, Limited . . . . .	880,000	
66,000	Steinberg's Limited . . . . .	1,509,750	"A"
40,000	Woodward Stores Limited . . . . .	1,000,000	"A"
		<u>\$ 3,792,750</u>	5.32%
<b>Oil Refining</b>			
40,000	Gulf Oil Canada Limited . . . . .	\$ 1,000,000	
40,000	Imperial Oil Limited . . . . .	1,245,000	
20,000	Shell Investments Limited . . . . .	Warrants 335,000	
		<u>\$ 2,580,000</u>	3.62%
<b>Paper &amp; Forest Products</b>			
50,000	Domtar Limited . . . . .	\$ 612,500	.86%
<b>Pipelines</b>			
40,000	Interprovincial Pipe Line Company . . . . .	\$ 1,180,000	
30,000	Trans-Canada Pipe Lines Limited . . . . .	1,072,500	
\$ 350,000	Westcoast Transmission Company Limited . . . . .	7½% Conv. 1991 420,000	
10,000	Westcoast Transmission Company Limited . . . . .	Warrants 70,000	
		<u>\$ 2,742,500</u>	3.84%
<b>Real Estate</b>			
24,000	Canadian Interurban Properties Limited . . . . .	7% Conv. Pfd. \$ 186,000	
50,000	Trizec Corporation Limited . . . . .	925,000	
		<u>\$ 1,111,000</u>	1.56%
<b>Steel</b>			
70,000	Dominion Foundries and Steel Limited . . . . .	\$ 1,688,750	
100,000	Steel Company of Canada Limited . . . . .	2,637,500	
		<u>\$ 4,326,250</u>	6.06%
<b>Trust &amp; Loan</b>			
106,000	Canada Permanent Mortgage Corporation . . . . .	\$ 1,828,500	
120,000	IAC Limited . . . . .	2,310,000	
16,700	The Investors Group . . . . .	5% Conv. pfd. 1989 359,050	
60,000	Montreal Trust Company . . . . .	1,050,000	
		<u>\$ 5,547,550</u>	7.77%
<b>Utility</b>			
40,000	Bell Canada . . . . .	\$ 1,860,000	
41,100	Brascan Limited . . . . .	744,938	
10,000	British Columbia Telephone Company . . . . .	650,000	
60,000	Northern & Central Gas Corporation Limited . . . . .	855,000	
		<u>\$ 4,109,938</u>	5.76%



No. of Shares or Par Value		Market Value	
<b>Miscellaneous Industrials</b>			
21,100	Atco Industries Limited . . . . .	\$ 184,625	
100,000	Canadian Cablesystems Limited . . . . .	1,450,000	
48,000	Consumers Glass Company Limited . . . . .	576,000	
40,000	Dominion Textile Company Limited . . . . .	800,000	
7,000	Electrohome Limited . . . . .	281,750	
60,000	Massey-Ferguson Limited . . . . .	690,000	
53,000	Moore Corporation Limited . . . . .	2,020,625	
\$ 300,000	Systems Dimensions Limited . . . . . 5% Conv. 1989	264,000	
20,000	Systems Dimensions Limited . . . . .	152,500	
	Miscellaneous . . . . .	250,871	
		<u>\$ 6,670,371</u>	9.35%
<b>Base Metals</b>			
29,000	Labrador Mining and Exploration Company Limited . . . . .	\$ 1,073,000	1.50%
<b>Western Oil</b>			
20,000	Great Plains Development Company of Canada Limited . . . . .	\$ 590,000	
24,000	Home Oil Company Limited . . . . . "A"	810,000	
8,500	Home Oil Company Limited . . . . . "B"	278,375	
34,000	Husky Oil Limited . . . . .	544,000	
20,000	Pacific Petroleum Limited . . . . .	620,000	
20,000	Union Oil Company of Canada Limited . . . . .	935,000	
60,000	Western Decalta Petroleum Limited . . . . .	402,000	
		<u>\$ 4,179,375</u>	5.86%
<b>Foreign Securities</b>			
15,000	ESB Incorporated . . . . .	\$ 533,665	
20,000	Florida Tile Industries Incorporated . . . . .	681,488	
15,000	Fluor Corporation . . . . .	328,844	
15,000	General Electric Company . . . . .	941,430	
13,000	International Telephone & Telegraph Corporation . . . . .	760,535	
15,000	Magic Chef Incorporated . . . . .	633,258	
20,000	May Department Stores Company . . . . .	1,042,276	
4,000	National Data Corporation . . . . .	252,551	
35,000	The Rank Organisation Limited . . . . . "A"	743,750	
10,000	Standard Oil Company (Indiana) . . . . .	696,521	
15,000	Swift & Company . . . . .	541,182	
15,000	Taft Broadcasting Company . . . . .	652,048	
15,000	Texas Eastern Transmission Corporation . . . . .	670,839	
15,000	Tidewater Marine Service Incorporated . . . . .	473,534	
35,000	United Gas Incorporated . . . . .	622,608	
30,000	Westinghouse Electric Corporation . . . . .	1,379,262	
		<u>\$10,953,791</u>	15.35%
<b>Total Portfolio Investments</b> . . . . .		\$71,003,024	99.50%
<b>Cash, etc. — Net</b> . . . . .		359,544	.50%
<b>Total Portfolio Investments and Cash</b> . . . . .		<u>\$71,362,568</u>	<u>100.00%</u>
<b>Investment in and advances to subsidiary</b> . . . . .		2,038,864	
<b>Net Assets at Market Value — December 31, 1971</b> . . . . .		<u>\$73,401,432</u>	



# UNITED CORPORATIONS LIMITED

## Summary Balance Sheets

(all investments at market)

### Portfolio

	<b>December 31</b>				
	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>
Cash, etc., Short Term Notes & Bonds . . .	\$ 5,079,205	\$ 5,351,220	\$ 9,495,238	\$10,885,790	\$ 8,893,939
Less: Liabilities . . . . .	<u>377,661</u>	<u>54,920</u>	<u>17,801</u>	<u>3,097,356</u>	<u>1,164,479</u>
Quick Reserves . . . . .	4,701,544	5,296,300	9,477,437	7,788,434	7,729,460
Preferred Stocks . . . . .	<u>593,312</u>	<u>854,775</u>	<u>823,031</u>	<u>933,909</u>	<u>2,469,406</u>
Total Reserves . . . . .	5,294,856	6,151,075	10,300,468	8,722,343	10,198,866
Common Stocks & Convertibles* . . . .	<u>66,067,712</u>	<u>64,941,175</u>	<u>68,408,424</u>	<u>76,148,012</u>	<u>64,497,951</u>
Total Portfolio Investments and Cash . .	71,362,568	71,092,250	78,708,892	84,870,355	74,696,817
Investment in and advances to Subsidiary .	<u>2,038,864</u>	<u>127,464</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total Net Assets . . . . .	<u>\$73,401,432</u>	<u>\$71,219,714</u>	<u>\$78,768,892</u>	<u>\$84,930,355</u>	<u>\$74,756,817</u>

### Capitalization

	<b>December 31</b>				
	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>
Senior Capital at Redemption Prices:—					
Class “A” Shares . . . . .	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110
Preferred Shares . . . . .	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>
Total Senior Capital . . . . .	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
Class “B” Equity* . . . . .	<u>65,654,757</u>	<u>63,473,039</u>	<u>71,022,217</u>	<u>77,183,680</u>	<u>67,010,142</u>
	<u>\$73,401,432</u>	<u>\$71,219,714</u>	<u>\$78,768,892</u>	<u>\$84,930,355</u>	<u>\$74,756,817</u>

\*Percentage of Common Stocks & Convertibles to Class “B” Equity —  
1971: 100.6%, 1970: 102.3% , 1969: 96.3%, 1968: 98.7%, 1967: 96.3%.

### Distribution of Portfolio Investments

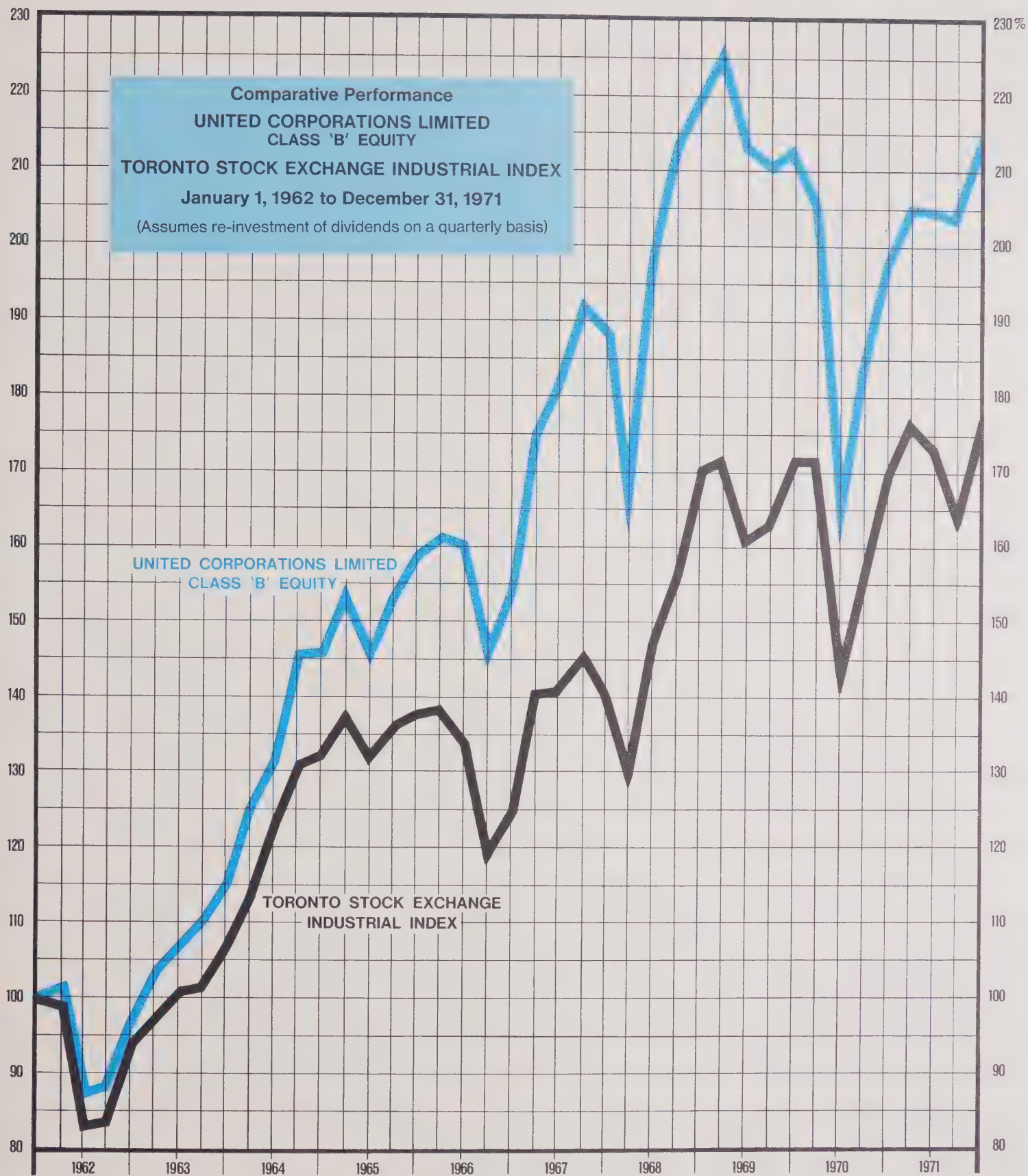
December 31, 1971 (with comparative market values and percentages for December 31, 1970)

	<u>1971</u>		<u>1970</u>	
	Market Value	Percentage	Market Value	Percentage
Cash, Short Term Notes, etc. — net . . . . .	\$ 359,544	0.50%	\$ 574,450	0.81%
Canadian Government & Provincial Bonds . . . . .	2,463,750	3.46%	4,721,850	6.64%
Corporate Bonds . . . . .	1,878,250	2.63%	nil	—
Preferred Stocks . . . . .	593,312	0.83%	854,775	1.20%
Convertibles . . . . .	1,342,800	1.88%	2,044,200	2.88%
Common Stocks . . . . .	<u>64,724,912</u>	<u>90.70%</u>	<u>62,896,975</u>	<u>88.47%</u>
Total Portfolio Investments and Cash . . . . .	<u>\$71,362,568</u>	<u>100.00%</u>	<u>\$71,092,250</u>	<u>100.00%</u>

Geographical distribution at December 31, 1971 was:

Canada	United States
89.97%	10.03%







# UNITED CORPORATIONS LIMITED

## Record of Asset Valuations and Income

(Class "B" Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953, and 3 for 1 in June, 1964)

Year Ended Dec. 31	Net Asset Value	Principal Amount of Bonds Outstanding	Net Equity for Class "A" & Pfd.	Class "A" & Pfd. Shares at redemption price (a)
1933	\$ 6,120,481	\$ 4,498,900	\$ 1,621,581	\$ 2,000,404
1935	9,378,287	4,498,900	4,879,387	2,161,079
1937	9,541,981	4,498,900	5,043,081	1,928,100
1939	9,843,775	3,705,400	6,138,375	1,588,050
1941	8,174,586	3,598,900	4,575,686	1,588,050
1943	9,746,273	3,000,000	6,746,273	1,579,800
1945	14,443,864	2,800,000	11,643,864	1,579,800
1947	13,668,485	2,600,000	11,068,485	1,579,800
1949	14,771,960	2,400,000	12,371,960	1,567,110
1951	20,391,615	2,200,000	18,191,615	1,567,110
1952	19,359,943	2,000,000	17,359,943	1,567,110
1953	19,130,077	1,900,000	17,230,077	1,567,110
1954	25,100,871	1,800,000	23,300,871	1,567,110
1955	29,014,916	1,700,000	27,314,916	1,567,110
1956	28,054,394	1,316,300	26,738,094	1,567,110
1957	24,446,536	878,900	23,567,636	1,567,110
1958	30,381,268	—	30,381,268	1,567,110
1959	38,196,704	—	38,196,704	3,975,810
1960	37,599,824	—	37,599,824	3,975,810
1961	44,351,503	—	44,351,503	3,975,810
1962	41,868,337	—	41,868,337	3,975,810
1963	52,320,937	—	52,320,937	7,746,675
1964	62,860,580	—	62,860,580	7,746,675
1965	66,117,062	—	66,117,062	7,746,675
1966	63,155,547	—	63,155,547	7,746,675
1967	74,756,817	—	74,756,817	7,746,675
1968	84,930,355	—	84,930,355	7,746,675
1969	78,768,892	—	78,768,892	7,746,675
1970	71,202,250	—	71,202,250	7,746,675
1971	73,401,432	—	73,401,432	7,746,675

(a) Including Class "A" dividend arrears of \$ 72,304 in 1933  
Including Class "A" dividend arrears of \$232,979 in 1935

(b) Denotes red figures.

(c) Class "A" dividends paid:

1933.....\$ —  
1935......50  
1937..... 4.125  
1939 to date . . . 1.50 per year





Net Equity for Class "B"	Net Equity for Class "B" per share	Net Income for the year	Dividends on Class "A" and Pfd. Shares (c)	Net Income Available to Class "B" Shares	Net Income per Share Class "B"	Dividend Paid on per Share Class "B"
\$ 378,823(b)	\$ 0.13(b)	\$ 72,510	\$ 72,304	\$ 206	\$ —	\$ —
2,718,308	0.94	83,252	96,405	13,153(b)	.005(b)	—
3,114,981	1.08	205,196	96,405	108,791	.038	—
4,550,325	1.58	139,462	80,978	58,484	.020	—
2,987,636	1.03	160,968	79,403	81,565	.028	.02
5,166,473	1.79	156,727	78,990	77,737	.027	.025
10,064,064	3.49	252,049	78,990	173,059	.060	.06
9,488,685	3.29	417,965	78,990	338,975	.118	.11
10,804,850	3.75	463,389	78,356	385,033	.134	.13
16,624,505	5.77	656,437	78,355	578,082	.201	.20
15,792,833	5.48	692,112	78,356	613,756	.213	.21
15,662,967	5.44	717,206	78,356	638,850	.222	.22
21,733,761	7.55	777,697	78,356	699,341	.243	.23
25,747,806	8.94	810,692	78,355	732,337	.255	.25
25,170,984	8.74	857,145	78,355	778,790	.271	.27
22,000,526	7.64	912,771	78,355	834,416	.290	.27
28,814,158	10.01	976,297	78,356	897,941	.312	.27
34,220,894	10.02	978,793	78,355(e)	900,438(e)	.313(d)	.30
33,624,014	9.85	1,308,461	198,790(e)	1,109,671(e)	.325	.30
40,375,693	11.77	1,315,655	198,790	1,116,865	.326	.32
37,892,527	11.01	1,340,004	198,790	1,141,214	.332	.32
44,574,262	12.84	1,509,951	330,800(e)	1,179,151(e)	.340	.33
55,113,905	15.87	1,726,160	378,356	1,347,804	.388	.37
58,370,387	16.80	1,881,460	378,356	1,503,104	.433	.41
55,408,872	15.94	1,961,783	378,356(f)	1,583,427	.455	.44(g)
67,010,142	19.11	2,118,885	378,356	1,740,529	.496	.46
77,183,680	21.98	2,093,460	378,356	1,715,104	.488	.72
71,022,217	20.20	2,244,030	378,356	1,865,674	.530	.82
63,455,575	18.05	2,359,533	378,355	1,981,177	.563	.88
65,654,757	18.67	2,029,899	378,355	1,651,544	.470	.90

(d) Does not include 534,393 Class "B" Shares issued December 23, 1959.

(e) Excluding dividends declared on Class "A" Shares in 1959 and on Preferred Shares in 1960 and 1963, in excess of their respective regular annual rates.

(f) Includes full annual dividends on Class "A" and Preferred Shares though only three quarterly dividends were declared.

(g) Includes extra dividend of 4¢ per share declared in January, 1967.





***Comparative Statement of  
Unrealized Appreciation (Depreciation) of Investments***

***For the 6 months ended June 30***

	<u>1971</u>	<u>1970</u>
Balance, beginning of year . . . . .	\$7,304,669	\$11,649,889
Increase (decrease) during period . . . . .	<u>3,004,125</u>	<u>(14,077,468)</u>
Balance, end of period . . . . .	<u><u>\$10,308,794</u></u>	<u><u>\$2,427,579</u></u>

**AR02**

United Corporations Limited



***Report for 6 months ended June 30, 1971***



## United Corporations Limited

### To the Shareholders

Some uncertainty with regard to the speed of the economic recovery and the anticipated rebound in corporate profits was reflected in the action of North American stock markets in the second quarter of 1971 with the result that our net equity value per Class "B" Share declined slightly from \$19.01 at the end of March to \$18.83 at the end of June. The customary five year record of net asset values is set out below.

The average net equity value per Class "B" Share for the first six months of 1971 was \$18.66 as compared to \$17.24 for the whole of 1970.

Net income for the first six months of 1971 was \$1,021,080 as compared with \$1,254,993 for the same period last year. After provision for six months' dividends on our Class "A" and First Preferred Shares, net income available for the Class "B" Shares was \$831,902 or 23.7¢ per share as against \$1,065,815 or 30.3¢ per share in 1970. The decline in net income was predicted in our 1970 Annual Report and explained both at that time and in the quarterly report covering the first quarter of 1971.

July 19, 1971

Three quarterly dividends of 12¢ each have been declared on the Class "B" Shares in 1971 to date with the latest payable August 16th to shareholders of record July 30th. The extra dividends of 2¢ each which were declared on the Class "B" Shares in the last two quarters of 1970 will not be paid this year because of the anticipated reduction in net income. However, provided our average net equity value for the balance of 1971 holds at or above its present level, total dividends applicable to 1971 operations should be well above the 1970 figure of 69¢ per share.

Although still subject to detailed analysis, the Tax Reform Legislation presented on June 18th appears to have accepted the important principle that investment companies be treated as conduits so that shareholders are placed in essentially the same tax position as though they owned our underlying investments direct. We are at present engaged in a detailed examination of the proposed tax reforms and will keep you informed as to any changes in policy or administration procedures that may eventually be necessary.

J. V. EMORY,  
President

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1966.....	\$17.55	17.38	17.00	17.50	16.77	16.84	16.58	15.38	15.13	15.40	15.43	15.94
1967.....	\$17.17	17.33	18.09	18.74	17.90	18.54	19.33	19.08	19.61	18.57	18.69	19.11
1968.....	\$17.92	17.08	16.61	18.56	18.72	19.61	19.48	19.84	21.03	21.25	21.95	21.98
1969.....	\$22.17	21.24	21.81	22.16	22.85	20.50	19.34	20.39	20.12	20.28	20.71	20.20
1970.....	\$19.00	19.21	19.13	17.52	15.58	15.43	16.01	16.33	16.88	16.45	17.32	18.04
1971.....	\$18.32	18.29	19.01	19.02	18.48	18.83						



**United Corporations Limited**  
**Comparative Statement of Changes in Net Assets**  
**For the 6 months ended June 30**



	<u>1971</u>	<u>1970</u>
Net Assets, beginning of year . . . . .	\$71,219,714	\$78,783,714
Net Income . . . . .	1,021,080	1,254,993
Net realized gain (loss) on sale of investments * . . . . .	281,970	(1,440,164)
Proceeds from issue of capital stock . . . . .	—	—
Net increase (decrease) in unrealized appreciation of investments . . . . .	3,004,125	(14,077,468)
Dividends Paid . . . . .	(2,148,441)	(2,886,773)
Non-recurring expenses . . . . .	—	—
Net assets end of period . . . . .	<u>\$73,378,448</u>	<u>\$61,634,302</u>
Deduct:		
Redemption value of Class 'A' and First Preferred Shares . . . . .	<u>7,746,675</u>	<u>7,746,675</u>
Net Assets, applicable to Class 'B' shares . . . . .	<u>\$65,631,773</u>	<u>\$53,887,627</u>
Number of shares outstanding at end of period . . . . .	<u>3,515,873</u>	<u>3,515,873</u>
Net asset value for Class 'B' Share at beginning of year . . . . .	\$18.04	\$20.20
Net asset value for Class 'B' Share at end of period . . . . .	\$18.66	\$15.32
% increase (decrease) . . . . .	3.4%	(24.2%)
Net investment income per Class 'B' Share . . . . .	23.7¢	30.3¢
Distribution for Class 'B' Share . . . . .	53.0¢	74.0¢
*Aggregate proceeds from sale of investments . . . . .	\$19,814,713	\$ 9,966,792
Deduct: Cost of investments sold—		
Aggregate cost of investments owned at beginning of year . . . . .	63,273,131	64,577,991
Aggregate cost of purchases of investments . . . . .	17,068,445	7,804,866
	<u>80,341,576</u>	<u>72,382,857</u>
Aggregate cost of investments owned at end of period . . . . .	<u>60,808,833</u>	<u>60,975,901</u>
	<u>19,532,743</u>	<u>11,406,956</u>
Net realized gain (loss) on sale of investments . . . . .	<u>\$ 281,970</u>	<u>\$ (1,440,164)</u>

**Comparative Statement of Income**  
**For the 6 months ended June 30**

	<u>1971</u>	<u>1970</u>
Income:		
Dividends and interest . . . . .	\$1,184,718	\$1,448,681
Net income from wholly-owned subsidiary . . . . .	18,258	2,557
	<u>1,202,976</u>	<u>1,451,238</u>
Expenses:		
Management expenses . . . . .	\$101,888	\$107,913
Fees and expenses of trustee, registrar and transfer agent . . . . .	17,571	14,520
Directors' remuneration . . . . .	8,100	8,100
Audit and legal fees . . . . .	1,638	4,792
Miscellaneous expenses . . . . .	<u>14,755</u>	<u>15,102</u>
	<u>143,952</u>	<u>150,427</u>
Net Income before taxes . . . . .	1,059,024	1,300,811
Provision for income taxes . . . . .	37,944	45,818
Net Income for the 6 months . . . . .	<u>\$1,021,080</u>	<u>\$1,254,993</u>





# United Corporations Limited

## Portfolio of Investments

as at JUNE 30, 1971

No. of Shares or Par Value				Market Value	% of Total Net Assets	No. of Shares or Par Value				Market Value	% of Total Net Assets	
CANADIAN GOVERNMENT BONDS						REAL ESTATE						
\$1,000,000	Canada.....	7¼%	1975	\$1,045,000	3.88	8,400	Campeau.....		\$	32,760	1.39	
1,750,000	Canada.....	7%	1977	1,802,500		24,000	Cdn. Interurban Prop.....	7% Conv. Pfd.		201,000		
				2,847,500		475,600	Trizec.....			784,740		
										1,018,500		
CORPORATE BONDS						STEEL						
\$ 500,000	Royal Bank.....	7%	1991	492,500	1.36	65,000	Dom. Fdries. & Steel.....			1,616,875	4.68	
500,000	Westcoast Transmission.....	8%	1991 WW	502,500		71,000	Steel of Canada.....			1,819,375		
				995,000						3,436,250		
PREFERRED STOCKS — EXCLUDING CONVERTIBLES						TRUST & LOAN						
1,000	Anglo-Cdn. Telephone.....	2.90		36,000	1.00	80,000	Canada Permanent Mtge.....			1,180,000	6.21	
6,000	Cons.-Bathurst.....	6%		75,750		120,000	I.A.C.....			2,220,000		
1,875	Gaz Metropolitain.....	5.50%		128,437		20,000	Investors Group.....	5% Conv. Pfd.		420,000		
2,500	Gaz Metropolitain.....	5.40%		165,000		20,000	Investors Group.....	"A"		170,000		
4,000	Third Cdn. Genl. Invest.....	2.50		136,000		34,600	Montreal Trust.....			566,575		
3,375	Trans-Can. Pipe Lines.....	2.80		134,156						4,556,575		
2,000	Westfair Foods.....	A		52,500		UTILITY						
				727,843		40,000	Bell Canada.....			1,860,000		6.22
BANKS						34,000	Brascan.....			641,750		
80,000	Bank of Montreal.....			1,270,000	17,000	B.C. Telephone.....			1,102,875			
80,000	Cdn. Imperial Bank.....			1,870,000	60,000	Northern & Central Gas.....			960,000			
85,000	Royal Bank.....			2,284,375					4,564,625			
40,000	Toronto-Dominion Bank.....			1,020,000	MISCELLANEOUS INDUSTRIALS							
				6,444,375	31,000	Atco Industries.....			248,000	8.39		
BEVERAGES						35,000	Can. Steamship.....				1,137,500	
30,000	Distillers-Seagrams.....			1,590,000	48,000	Consumers Glass.....			648,000			
CHEMICAL						25,000	Intl. Utilities.....				1,078,125	
155,000	Chemcell.....			813,750	60,000	Massey-Ferguson.....			637,500			
COMMUNICATIONS						50,000	Moore.....				1,831,250	
80,000	Cdn. Cablesystems.....			1,040,000	35,000	Multiple Access Genl. Computer.....			61,250			
6,000	Cdn. Cablesystems.....			12,600	\$300,000	Systems Dimensions.....	5% Conv. 1989		324,000			
				1,052,600	20,000	Systems Dimensions.....			190,000			
									6,155,625			
CONSTRUCTION & MATERIAL						BASE METALS						
40,000	Canada Cement Lafarge.....			1,720,000	50,000	Brameda Resources.....			90,000	3.04		
GENERAL MANUFACTURING						32,500	Gt. Lakes Nickel.....				81,250	
10,000	I.T.L. Industries.....	6½% Conv. Pfd.		183,750	52,322	Gt. Lakes Nickel Options.....			7,848			
60,000	Intl. Systcoms.....			45,000	29,000	Labrador Mining.....			1,131,000			
				228,750	30,000	Placer Development.....			922,500			
									2,232,598			
INDUSTRIAL MINES						WESTERN OIL						
60,000	Alcan Aluminium.....			1,357,500	20,000	Bow Valley.....			495,000	5.42		
14,000	Falconbridge.....			1,610,000	15,000	Great Plains Development.....			495,000			
25,000	Intl. Nickel.....			968,750	21,000	Home Oil.....	"A"		677,250			
60,000	Noranda.....			2,070,000	8,500	Home Oil.....	"B"		265,625			
50,000	Sheritt Gordon.....			856,250	34,000	Husky Oil.....			527,000			
				6,862,500	24,800	Union Oil of Can.....			1,165,600			
					60,000	Western Decalta.....			354,000			
									3,979,475			
MERCHANDISING						FOREIGN SECURITIES						
52,000	D'Allaird.....			403,000	22,000	Brockway Glass.....			765,299		17.42	
40,000	Simpsons.....			820,000	15,000	General Electric.....			932,322			
15,000	Steinberg's.....	"A"		286,875	12,000	Intl. Telephone & Telegraph.....			764,274			
50,000	Woodward.....	"A"		1,206,250	25,000	Kimberly-Clark.....			792,922			
				2,716,125	8,400	Magic Chef.....			305,095			
OIL REFINING						30,000	Marcor.....			1,104,975		
40,000	Gulf Oil.....			880,000	20,000	May Dept. Stores.....			854,310			
40,000	Imperial Oil.....			995,000	4,000	National Data.....			259,874			
20,000	Shell Investments.....	Stk. Purchase Wts.		337,500	35,000	Rank Organisation.....	"A"		783,125			
				2,212,500	24,400	RCA.....			948,643			
PAPER & FOREST PRODUCTS						10,000	Standard Oil (Indiana).....			624,106		
83,000	Domtar.....			1,162,000	15,000	Swift.....			613,875			
PIPELINES						15,000	Taft Broadcasting.....			613,875		
40,000	Interprovincial Pipe Line.....			1,135,000	15,000	Texas Eastern Transmission.....			669,507			
35,000	Trans-Can. Pipe Lines.....			1,190,000	25,000	Uniroyal.....			569,112			
\$250,000	Westcoast Transmission.....	7½% Conv. 1991		292,500	40,000	United Gas.....			782,692			
15,500	Westcoast Transmission.....			399,125	15,000	Westinghouse Electric.....			1,400,403			
				3,016,625					12,784,409			
CASH, etc.—NET										2,260,823		
					NET ASSETS.....					\$73,378,448	100.00%	